

1998 SMALL BUSINESS PROFILE

SMALL BUSINESS: HEART OF THE WEST VIRGINIA ECONOMY

The importance of small business to the state of West Virginia is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

Number of Businesses - In 1997, West Virginia had 37,970 businesses with employees; 96.9 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 54,000 self-employed persons in 1997.

Small Business Income - The income of sole proprietors and partners rose 3.0 percent to \$2.2 billion in 1996, while wage-and-salary income rose 3.4 percent. The state also exported \$1.3 billion of goods in 1997. (In 1992, 61.3 percent of the exporters in the state were small businesses.)

Women-Owned Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 40,400 women-owned businesses in West Virginia, including part-time firms, employing 62,800 people and generating \$7.0 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 64.6 percent.

Minority Businesses - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 50.3 percent from 1987 to 1992, totaling 1,093 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 76.8 percent during the same time period with 313 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 551 in 1987, to 712 in 1992, representing a 29.2 percent increase.

Business Turnover - Between 1996 and 1997, the number of new firms decreased 28.0 percent, while new business incorporations decreased 13.1 percent. Financial difficulties leading to business bankruptcies increased by 12.9 percent and business failures increased by 6.3 percent.

Finance - An SBA Office of Advocacy study found that the number of banks in West Virginia decreased from 140 in 1994 to 110 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
FIRST NB IN MARLINTON	Marlinton
BANK OF GASSAWAY	Gassaway
CALHOUN CTY BK	Grantsville
BELINGTON BK	Belington
FIRST ST B&TC NA	Rainelle
GREENBRIER VALLEY NB	Lewisburg
MATEWAN NB	Williamson
BANK OF RALEIGH	Beckley
WESBANCO BK PARKERSBURG	Parkersburg
PENDLETON CTY BK	Franklin
ONE VALLEY BK	Morgantown
UNITED NB	Parkersburg

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

Job Growth - From 1992 to 1996, small businesses (fewer than 500 employees) created net new jobs, while large businesses lost jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	13,685	4,886	5,777	68	(32,280)	(7,864)
Manufacturing	70	369	2,107	1,073	(10,202)	(6,585)
Retail Trade	2,298	(19)	816	480	(3,046)	529
Services	9,698	4,098	2,959	(245)	(11,291)	5,220
Other	1,620	438	(104)	(1,238)	(7,740)	(7,027)

Industries - Small firms in the state are represented in many industries. The Health Services industry is the largest small business employer in West Virginia, followed by Eating & Drinking Places. The fastest growing industry for small business is Electric, Gas, & Sanitary Services (represents industries that were at least

0.25 percent of the 1995 total). The following three tables provide information about the small business sector in the state.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	530,583	100.0	55.7
Health Services	8000	76,450	14.4	43.3
Eating & Drinking Places	5800	40,146	7.6	67.4
Coal Mining	1200	23,020	4.3	31.3
Food Stores	5400	22,716	4.3	61.2
Wholesale Trade - Durable Goods	5000	18,394	3.5	71.0

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	295,685	100.0	55.7
Health Services	8000	33,127	14.4	43.3
Eating & Drinking Places	5800	27,050	7.6	67.4
Social Services	8300	16,463	3.4	91.8
Food Stores	5400	13,896	4.3	61.2
Auto. Dealers & Gas Service Stations	5500	13,403	3.1	80.5

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	295,685	10,782	3.6
Electric, Gas, & Sanitary Services	4900	1,117	310	27.8
Food & Kindred Products	2000	1,785	420	23.5
Elec. Equip. & Components Except Computers	3600	827	171	20.7
Primary Metal Industries	3300	1,037	137	13.2
Communications	4800	2,069	272	13.1

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.